

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7206

BILL NUMBER: HB 1488

NOTE PREPARED: Jan 6, 2003

BILL AMENDED:

SUBJECT: Licensure of Building Contractors.

FIRST AUTHOR: Rep. Welch

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill establishes the Residential Building Contractors Licensing Board to regulate residential building contractors. The bill establishes the licensing requirements for residential building contractors. It allows a local unit of government to license residential building contractors who have less than five years experience. The bill also provides that a person who acts or advertises as a residential building contractor without a license or after a person's license has expired or has been suspended, revoked, or otherwise restricted commits a Class A misdemeanor.

Effective Date: Upon passage; July 1, 2003.

Explanation of State Expenditures: This bill creates the seven-member Residential Building Contractors Licensing Board. The fiscal impact of this bill on the Professional Licensing Agency (PLA) is based on board member expenses and administrative expenses.

Board Member Expenses - Each board member would receive the minimum per diem allowed, travel expense reimbursement, and compensation for expenses incurred in the performance of board duties. The cost for each board member is estimated at approximately \$85. It is estimated that the average cost for the per diem and travel reimbursement for the Board would be \$600 per meeting. If the Board was to meet once a month, the annual cost of the Board would be approximately \$7,200. However, the Board is only required to meet at least two times per year, so the minimum annual cost of the Board is approximately \$1,200. All expenses accrued by the Board would be paid out of the General Fund.

Administrative Expenses - Additional expenses include printing costs for applications and forms, and postage for reissue notices of the new proposed license. The PLA reports their cost associated with license and

renewal forms is approximately \$190 per one thousand forms. Postage costs \$0.25 per license and \$0.34 per renewal.

This proposal also requires the PLA to provide a secretary of the Board. The PLA already has an executive director that would be able to carry out the responsibilities of the secretary. However, one to two additional COMOT 3 positions may be needed to manage the new board. If additional staff is needed, the cost of one position is approximately \$31,800 in FY 2004 and \$31,200 in FY 2005, and the cost of two positions is \$63,700 in FY 2004 and \$62,500 in FY 2005. The funds and resources required above could be supplied through a variety of sources, including the following: (1) Existing staff and resources not currently being used to capacity; (2) Existing staff and resources currently being used in another program; (3) Authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) Funds that, otherwise, would be reverted; or (5) New appropriations.

As of December 2002, the PLA employed 47 authorized full-time staff members; three positions were vacant. The vacant positions were a Program Coordinator and two Secretaries. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions. All expenses incurred in administering the Board shall be paid out of the State General Fund.

Explanation of State Revenues: The Board would be required to establish a license fee for residential building contractors. According to the Indiana Builders Association (IBA), approximately 5,300 residential building contractors are members of the Association. These members represent approximately 60-65% of the residential building starts in the state annually. Considering IBA members only, if an additional COMOT 3 position at \$31,800 in FY 2004 and \$31,200 in FY 2005 were required to administer this license, the license fee to recoup the cost of the position and the Board would be \$6.23. If two additional positions were needed, the license fee to recoup the cost of the positions and the Board would be \$12.25. This approximated fee would vary depending on the total number of building contractors requiring licensure in the state.

Penalty Provision - The proposal would also introduce a Class A misdemeanor for violations of licensure. If additional court cases occur and fines are collected, revenue to both the Common School Fund and the state General Fund would increase. The maximum fine for a Class A misdemeanor is \$5,000. Criminal fines are deposited in the Common School Fund. If the case is filed in a circuit, superior, or county court, 70% of the \$120 court fee that is assessed and collected when a guilty verdict is entered would be deposited in the state General Fund. If the case is filed in a city or town court, 55% of the fee would be deposited in the state General Fund.

Explanation of Local Expenditures: The bill provides local units of government the option to impose more stringent licensing requirements on building contractors with less than five years of business experience. Several localities already impose a licensing requirement for building contractors. This provision could require the revision of licensing forms and applications. For building contractors with more than five years experience, a locality would no longer be permitted to require licensure. Consequently, there may be less need for localities to employ staff working in building contractor licensing. Staff could be reassigned or terminated.

Penalty Provision - Regarding the Class A misdemeanor provision, a Class A misdemeanor is punishable by up to one year in jail. The average daily cost to incarcerate a prisoner in a county jail is approximately \$44.

Explanation of Local Revenues: Several localities do license building contractors. Localities could lose

revenue if licensing building contractors were restricted to those with fewer than five years experience.

Background - The following table outlines some of these localities and their license fee costs.

Locality	Residential Contractor Fee Charged
Allen County	\$85 license fee
Marion County	\$65 ILP \$40 Drainage \$85+ Structural
Mishewaka	\$75
South Bend	\$75
St. John	\$75
Vanderburgh Co.	\$50

Penalty Provision - If additional court actions occur and a guilty verdict is entered, local governments would receive revenue from the following sources: (1) The county general fund would receive 27% of the \$120 court fee that is assessed in a court of record. Cities and towns maintaining a law enforcement agency that prosecutes at least 50% of its ordinance violations in a court of record may receive 3% of court fees. If the case is filed in a city or town court, 20% of the court fee would be deposited in the county general fund and 25% would be deposited in the city or town general fund. (2) A \$3 fee would be assessed and, if collected, would be deposited into the county law enforcement continuing education fund. (3) A \$2 jury fee is assessed and, if collected, would be deposited into the county user fee fund to supplement the compensation of jury members.

State Agencies Affected: Indiana Professional Licensing Agency; Attorney General.

Local Agencies Affected: Trial courts; local law enforcement agencies; local builder regulatory agencies.

Information Sources: Celia Kerney, Allen County (260) 449-7162; Linda Pendleton, Building Commission, Vanderburgh County, (812) 436-7867; Marion County, (317) 327-4679; City of Mishawaka Building Commission (574) 258-1607; Becky Neese, City of South Bend, (574) 235-9554; Town of St. John, www.stjohnin.com.

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